

# THCI COMPANY LLC

July 11, 2005

**VIA FACSIMILE, E-MAIL AND FEDERAL EXPRESS TO:**

Integrated Health Services of Cliff Manor, Inc.  
Integrated Health Services of Riverbend, Inc.  
Integrated Health Services at Somerset Valley, Inc.  
Alpine Manor, Inc.  
Briarcliff Nursing Home, Inc.  
Integrated Health Group  
Spring Creek of IHS, Inc.  
Firelands of IHS, Inc.  
Elm Creek of IHS, Inc.  
(collectively, the "Tenants")

IHS Long Term Care, Inc.  
Abe Briarwood Corp.  
Tri-State Health Investors, LLC

Attention: Harry Grunstein, President  
c/o National Senior Care  
c/o Mariner Health Care Inc.  
The Highlands  
920 Ridgebrook Road  
Sparks, MD 21152  
Facsimile No.: 410-773-2020

Re: Notice of Default Under Master Lease Agreement

Dear Mr. Grunstein:

Reference is made to: (i) the March 2002 Stipulation and Order by and between Integrated Health Services, Inc. ("IHS") and certain of its direct and indirect subsidiaries on the one hand, and THCI Company LLC (the "Landlord") on the other (the "March 2002 Stipulation"), which established that IHS and 9 of its subsidiaries assumed their nine respective leases (the "Leases"); (ii) the April 23, 2003 Order of the United States Bankruptcy Court for the District of Delaware, which provides that "a Master Lease shall be deemed to exist, which Master Lease shall be deemed to incorporate the terms set forth in paragraphs 3(a), (b), (c), (d), (e), and (f) of the March 2002 Stipulation and shall further be deemed to incorporate by reference all terms of the existing Leases to the extent not inconsistent with the March 2002 Stipulation;" and (iii) the Confirmation Order in the bankruptcy proceedings of Integrated Health Services, Inc. entered on May 12, 2003, which

provides, *inter alia*, that "the Master Lease shall be treated as an assumed lease pursuant to section 365 of the Bankruptcy Code, and the applicable Debtor(s) party to such Master Lease shall perform the Master Lease until the Effective Date of the Plan, after which the Master Lease shall be performed by the applicable Reorganized Debtor(s) . . . ."

As you know, numerous uncured defaults exist under the Master Lease as specified in notices provided to Tenants in letters dated, among others, July 6, 2005; June 3, 2005; and May 6, 2005. In light of these defaults, and considering Tenants' stated position that they do not wish to remain in possession of the Facilities, Landlord hereby requests Tenants' voluntary surrender of the Facilities upon terms and conditions to be mutually agreed. These terms and conditions would be designed to accomplish a smooth transition of the Facilities and would take into account, first and foremost, the health and well-being of the residents of the Facilities. Moreover, this surrender would be without prejudice to any legal rights of Landlord and Tenants including but not limited to issues which are the subject of the various litigation matters among the parties and Landlord's right to seek all damages due from Tenants or any guarantor arising from breaches of the Master Lease.

If Tenants do not agree to a voluntary surrender of the Facilities, this letter will serve as Landlord's notice to Tenants to surrender the Facilities on a date to be determined, no less than 10 days from the date hereof, contingent upon, among other things, receipt by Landlord's designees of the necessary state licenses and appropriate arrangements for the health and well-being of the residents. In addition, Landlord intends to seek eviction of the Tenants as soon as reasonably practicable, subject to similar conditions, and Tenants' continued possession of the Facilities will be without the consent of the Landlord. Furthermore, pursuant to Section 38.2 of each of the nine Leases, as incorporated by reference into the Master Lease, Tenants are required to use their best efforts to transfer to Landlord or Landlord's nominee all licenses, permits, governmental authorizations and contracts. Landlord will hold Tenants responsible for all damages, including delays, caused by Tenant's failure to abide by this provision.

Pursuant to Section 16.7 of each of the nine Leases, as incorporated by reference into the Master Lease, Tenants are responsible for the costs of enforcement following an event of default. Landlord has incurred significant costs and expenses to date. An involuntary eviction proceeding would require substantial additional costs, which could be avoided if Tenants agree to voluntarily vacate the Facilities.

If you wish to discuss this matter, please contact me at 201-242-4905 or Bob Grossman of Arent Fox 212-484-3950 immediately.

Very truly yours,

THCI Company LLC

By: Michael S. Sherman  
Michael S. Sherman  
Vice President and General Counsel

**TO: (VIA FACSIMILE, E-MAIL AND FEDERAL EXPRESS)**

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c/o National Senior Care  
c/o Mariner Health Care Inc.  
The Highlands  
920 Ridgebrook Road  
Sparks, MD 21152  
Attention: Harry Grunstein, President  
Facsimile No.: 410-773-2020

ABE Briarwood Corp.  
c/o SMV Property Holdings, LLC  
c/o Cammeby's International Ltd.  
45 Broadway, 25<sup>th</sup> Floor  
New York, NY 10006  
Facsimile No.: 212-284-3798  
Attention: Rubin Schron

IHS Long Term Care, Inc.  
The Highlands  
910 Ridgebrook Road  
Sparks, Maryland 21152

IHS Long Term Care, Inc.  
c/o Robert H. Freilich  
Paul, Hastings, Janofsky & Walker LLP  
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Twenty-Fifth Floor  
Los Angeles, CA 90071  
Facsimile No. 213-996-3314  
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Abe Briarwood Corp.  
c/o Kaufman Group  
321 Fifth Avenue, 3<sup>rd</sup> Floor  
New York, New York 10016

Attention: Uri Kaufman

Abe Briarwood Corp.  
c/o Troutman Sanders LLP  
The Chrysler Building  
405 Lexington Avenue  
New York, New York 10174  
Attention: Amos Alter, Esq.  
Facsimile No. 212-704-5914  
[amos.alter@troutmansanders.com](mailto:amos.alter@troutmansanders.com)  
Attention: Leonard Grunstein, Esq.  
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[leonard.grunstein@troutmansanders.com](mailto:leonard.grunstein@troutmansanders.com)

Abe Briarwood Corp.  
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Abe Briarwood Corp.  
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Tri-State Health Investors, LLC  
1680 Michigan Avenue, Suite 736  
Miami Beach, Florida 33139  
Facsimile No.: 305-538-2699  
Attention: Avi Klein  
[A\\_KLEIN@TRI-STATE-HEALTH.COM](mailto:A_KLEIN@TRI-STATE-HEALTH.COM)